

SUBCOMMITTEE NO. 3

Health, Human Services, Labor & Veteran's Affairs

Agenda

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill



Agenda – Part A

Thursday, May 3, 2007
9:00 a.m., Room 112
(Eileen Cubanski, Consultant)

Vote-Only Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
4700	Department of Community Services and Development	
	1. Energy Utility Program Positions	3
5180	California Department of Social Services	
	2. Services to Non-citizen Victims of Trafficking and Severe Crime	3
	3. Human Resources Staffing	4
	4. Medi-Cal Disability Claims Workload	5
	5. Office Building Renovation	6
0530	Health and Human Services Agency – Office of System Integration	
	6. Child Welfare Services/Case Management System (CWS/CMS)	7
5175	Department of Child Support Services	
	7. California Child Support Automation System (CCSAS)	8
4170	California Department of Aging	
	8. Evidence-Based Health Promotion Initiative for Older Californians	8
	9. Improving Access to Mental Health Services for Older Persons and Adults With Disabilities	9
4140	Office of Statewide Health Planning and Development	
	10. Consolidation of Facilities Development Division (FDD) Staff	10

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Vote-Only Agenda (continued)

<u>Item</u>	<u>Department</u>	<u>Page</u>
5160	Department of Rehabilitation	
	11. Mental Health Services Act (MHSA) Positions	11

Discussion Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
4700	Department of Community Services and Development	
	1. Naturalization Services Program	12
5180	California Department of Social Services	
	1. Food Stamps Program	14
	2. Emergency Food Assistance Program (EFAP)	16
0530	Health and Human Services Agency – Office of System Integration	
	1. Electronic Benefit Transfer (EBT) System	19
5175	Department of Child Support Services	
	1. Report on Performance Improvements	20
	2. California Child Support Automation System (CCSAS) Functionality	20
	3. Recovery of Non-Sufficient Funds (NSF)	21
	4. State Distribution Unit (SDU) Bank Exceptions	22
	5. Information Security Office	23
	6. Centralized Financial Worker	24
4170	California Department of Aging	
	1. Caseload Estimates	25
4200	Department of Alcohol and Drug Programs	
	1. Licensing Reform Phase II	27

Vote-Only Agenda

4700 Department of Community Services and Development (CSD)

Vote Only Issue 1: CSD – Energy Utility Program Positions

Description: The budget proposes to redirect six positions from the temporary help blanket to regular, ongoing positions within the Department of Community Services and Development's (CSD's) budget. No additional resources are requested as the positions are funded through existing fees paid by utility companies for the services provided.

Background: The CSD works with a network of 47 Energy Program service providers throughout the state. Federal funding provided to CSD for Energy Programs has increased from \$86 million to \$170 million in 2006. Over the same period, CSD's position authority was reduced from 54 to 46 positions due to Control Section 4.10 cuts in prior fiscal years. However, CSD has continued to fund the eliminated positions through its temporary help blanket.

The six positions that are requested to be permanently established are currently working in the Utility Program, one of the Energy Programs administered by CSD. The Utility Program provides eligibility verification and program verification for low-income Reduced Rate Programs (RRPs) offered by California utility companies. The CSD receives reimbursement from utility companies for these services. The amount of reimbursement is \$368,000 in 2006-07. The six positions would be funded entirely by these existing reimbursements.

Staff Recommendation: Approve as budgeted.

5180 Department of Social Services (DSS)

Vote Only Issue 2: DSS – Services to Non-citizen Victims of Trafficking and Severe Crime

Description: The budget includes \$93,000 General Fund and one position for the Department of Social Services (DSS) to implement Senate Bill (SB) 1569 (Chapter 672, Statutes of 2006, Kuehl), which extended eligibility for certain public social services to non-citizen victims of human trafficking, domestic violence, and other serious crimes.

Background: SB 1569 extended eligibility to the above-described victims for public social services to the same extent as those persons eligible under the federal Refugee Act of 1980. These services include: Refugee Cash Assistance, Refugee Medical Assistance, Refugee Social Services, California Work Opportunity and Responsibility to Kids, Food Stamps, Cash Assistance Program for Immigrants, Supplemental Security Income/State Supplemental Payment (SSI/SSP), and Health Family Program benefits.

Eligibility for these services would extend to victims before they have been certified as trafficking victims as long as they can show proof that they have filed an application for certification as a trafficking victim within one year.

There are approximately 185 persons who have received certification as trafficking victims residing in California; it is unknown how many more people have applied or will apply for such certification. However, the DSS January estimates assume that approximately 3,200 people in California will be eligible for services and benefits under SB 1569. These estimates, and the associated local assistance funding, will be updated at the May Revision.

SB 1569 requires DSS to adopt regulations to implement the provisions of the bill no later than July 1, 2008. There is also significant one-time workload associated with implementing and administering the program. Notwithstanding the uncertainty concerning the number of persons who will apply for certification, DSS will need to conduct on-going annual monitoring of the program consistent with that done for other refugee programs.

Staff Recommendation: Approve as budgeted.

Vote Only Issue 3: DSS – Human Resources Staffing

Description: The budget requests \$1.1 million (\$457,000 General Fund) and nine positions for the Department of Social Services' (DSS') human resources office to support workforce management, payroll and benefits, and consultation to supervisors and managers. Included in the total is \$395,000 in ongoing workforce development funding.

Background: The DSS has identified a number of deficiencies in their human resources office including the following:

- **Employee Payroll Services** – During the past year, Employee Payroll Services has had a staff turnover rate of 50 percent which has led to a roster size of over 400 employees per Personnel Transaction Specialist. A recent study conducted by Cooperative Personnel Services finds that the normal roster size for a Personnel Transaction Specialist in departments of comparable size range from 200:1 to 240:1. The high roster size has led to payroll errors, leave discrepancies, errors on separation transactions, illegal appointments, a negative internal control review from the Department of Finance, and CalPERS violations. This request would provide eight new positions and bring the roster size to 230:1.
- **Management Consultation and Employee Discipline** – There is insufficient staff to provide consultation to supervisors and managers regarding preventative and progressive measures in addressing disciplinary issues, drafting and serving employee actions, and ensuring compliance with civil service laws, rules, and regulations. Over the past year, there has been a significant increase in adverse

actions, consultations, and Family Medical Leave and catastrophic leave requests. As new managers and supervisors enter DSS, consultation with human resources personnel in these areas becomes crucial to prevent critical and costly errors and to support and retain supervisors. One position is requested to assist with this workload.

- **Staff Development** – An analysis conducted by DSS of their workforce data indicates a serious staff replacement and development problem at all levels of the Department. In the next five years, DSS estimates it will have to replace 62 percent of its workforce, approximately 2,200 employees. Currently, 42 percent of staff and 69.5 percent of managers and supervisors are 50 years of age or older. This request would provide \$395,000 to cover ongoing annual training costs for managers, analysts, and attorneys.

Staff Recommendation: Approve as budgeted.

Vote Only Issue 4: DSS – Medi-Cal Disability Claims Workload

Description: The budget includes two requests related to workload in the Department of Social Services (DSS) related to Medi-Cal disability claims. One request is a Budget Change Proposal for \$2.333 million (\$1.167 million General Fund) and 11 limited-term positions to process a backlog of Medi-Cal medically needy disability applications and to avoid future backlogs. The other request is an April Finance Letter for \$650,000 (\$325,000 General Fund) and four permanent positions to obtain needed information from Limited English Proficiency (LEP) Medi-Cal medically needy disability applications via telephone translation service.

Background: Through an interagency agreement with the Department of Health Services (DHS), DSS has the responsibility for determining medical eligibility for California residents who have applied for Medi-Cal disability under the provisions of Title XIX of the federal Social Security Act. Applications for Medi-Cal disability are taken by county welfare departments and forwarded to DSS for the development of medical and vocational evidence and a determination of medical eligibility based on the evidence. There is a 90-day federal regulatory processing requirement (including both county and state processing time).

The Western Center for Law & Poverty (WCLP) recently filed a lawsuit against DHS and DSS for failure to meet the required federally mandated 90-day processing requirement for thousands of pending medically needy applications. At the end of 2005-06, the cumulative backlog was 13,571 cases with a wait of over 285 days before a decision is rendered. Although DSS has developed a plan to steadily reduce and ultimately eliminate the backlog, within a specified timeframe, and has tried to negotiate a settlement with WCLP, WCLP has recently decided to go forward with the suit. The DSS believes that their plan, as reflected in the Budget Change Proposal, will position the state well in that lawsuit.

In addition, DHS and DSS are under investigation by the federal Health and Human Services Office for Civil Rights (OCR) as a result of a complaint that alleges the Departments discriminate against LEP applications. The proposed settlement of that complaint requires DSS to translate all applicant forms and letters into multiple languages. This settlement is expected to be signed soon and DSS will be required to have a process in place within 360 days of the effective date of the settlement to ensure that effective communication occurs with LEP applicants. The proposed approach in the April Finance Letter has been agreed to as an appropriate settlement.

The two budget requests are intended to address the WCLP lawsuit and the settlement of the OCR investigation:

- The budget request of \$2.333 million (\$1.167 million General Fund) and 11 positions would enable DSS to eliminate the backlog of Medi-Cal medically needy applications and to keep pace with incoming applications. The backlogged cases will begin to be addressed in the current year with overtime. Additional overtime hours combined with the 11 limited-term positions in the budget year will allow elimination of the remaining backlog by the end of 2007-08.
- The budget request of \$650,000 (\$325,000 General Fund) and four permanent positions will enable DSS to obtain needed information from LEP Medi-Cal medically needy disability applications via telephone translation service. The annual cost of conducting the application process completely in writing for LEP medically needy applicants is estimated at over \$3 million. The alternative proposed by DSS would have the applicant respond to written requests for information by completing the form and then telephoning DSS where a three-way call with the applicant, DSS staff, and a telephone interpreter services will be initiated. This process is also expected to expedite the processing of the applicant's claim since obtaining written translation would result in delays.

Staff Recommendation: Approve as budgeted.

Vote Only Issue 5: DSS – Office Building Renovation

Description: The budget requests \$2.009 million (\$1.240 million General Fund) to fund one-time and new continuing costs associated with the first year of a three-year project to consolidate selected Department of Social Services (DSS) staff into state-owned office buildings in Sacramento. The consolidation project will result in increased rent, facilities, and information technology expenditures for DSS. The cost in 2008-09 is projected to be \$8.611 million (\$4.353 million General Fund).

Background: The renovation of Office Buildings (OBs) #8 and #9, which DSS will occupy, was initially approved in the 2002-03 Budget Act, which appropriated \$107.3 million to the Department of General Services (DGS) to fund the renovation project. The DSS currently occupies OB #8 and the 2007-08 and 2008-09 costs are associated

with leasing other space to temporarily house 260 staff and renovate OB #8. The costs in the third year of the project (2009-10) are associated with renovating OB #9 and moving staff into it once the relocation is complete.

The renovations of OBs #8 and #9 include upgrades of: the structural systems, mechanical systems, electrical systems, fire and life safety systems, plumbing systems, hazardous material abatement, ADA access, tenant improvement upgrades, on-site child care facility, and maximization of building space and program efficiency through the use of open space planning and modular systems furniture. Once the renovation is complete, the DGS currently projects that the rent will increase from \$1.66 to \$3.65 per square foot.

The DSS is obligated, by its contract with DGS, to vacate OB #8 within a specified timeframe, necessitating the resources requested in this April Finance Letter in 2007-08.

Staff Recommendation: Approve as budgeted.

0530 Health and Human Services Agency – Office of System Integration (OSI)

Vote Only Issue 6: OSI – Child Welfare Services/Case Management System (CWS/CMS)

Description: On March 15, the Subcommittee discussed the budget request for funding two Child Welfare Services/Case Management System (CWS/CMS) issues: 1) \$1.5 million (\$774,000 General Fund) in the current year and \$5.0 million (\$2.4 million General Fund) in the budget year for on-going maintenance and operations of the existing CWS/CMS; and 2) \$343,000 (\$171,000 General Fund) in the budget year for updated planning costs for the new CWS/CMS project.

Background: The Child Welfare Services/Case Management System (CWS/CMS) application provides case management capability for local child welfare services (CWS) agencies, including the ability to generate referrals, county documents, and statistical and case management reports. The system was implemented statewide in 1997 and is now in the maintenance and operations (M&O) phase.

CWS/CMS's current technical architecture is comprised of technologies and concepts that were common for large, mission-critical systems in the mid-1990s; however, the current system has significant limitations today. The OSI and DSS conducted an analysis of the system's architecture that concluded that it would be more cost effective to build a new system than to modify the existing CWS/CMS. OSI received approval of a feasibility study report (FSR) from the Department of Finance in April 2006 and from the ACF in July 2006. In the current year, OSI and DSS are in the planning phase of the new project.

During the Subcommittee discussion on March 15, the Legislative Analyst's Office raised questions about the request for on-going M&O for the project. As a result, the Subcommittee left the entire request open. The OSI has resolved those questions to the LAO's satisfaction.

Staff Recommendation: Approve as budgeted funding for M&O. Hold open new system funding until May Revision.

5175 Department of Child Support Services (DCSS)

Vote Only Issue 7: DCSS – California Child Support Automation System (CCSAS)

Description: The Department of Child Support Services (DCSS) has submitted an April Finance Letter requesting \$40 million (\$12.7 million General Fund) in adjustments to align the California Child Support Automation System (CCSAS) budget with recently approved CCSAS project changes. The funding for these adjustments is proposed to be provided through the reappropriation of unexpended funds from 2004-05, 2005-06, and 2006-07. In addition, DCSS proposes to use reappropriated funding for any unanticipated system needs necessary for certification. This Finance Letter corresponds to a Control Section 11 letter submitted to the Joint Legislative Budget Committee on March 30, 2007.

Staff Recommendation: Approve as budgeted.

4170 California Department of Aging (CDA)

Vote Only Issue 8: CDA – Evidence-Based Health Promotion Initiative for Older Californians

Description: The budget requests increased federal fund authority of \$547,000 in 2007-08 for the California Department of Aging (CDA). The CDA received an \$840,000 three-year federal grant to implement an evidence-based health promotion community-based program designed to encourage older adults with chronic health problems to learn skills to better manage their health conditions.

Background: The local Area Agencies on Aging (AAAs) and more than 30 local public health and non-profit organizations in five counties (Fresno, Los Angeles, Madera, San Diego, and Sonoma) will participate in implementing various evidence-based health promotion programs. The day-to-day implementation activities of the grant will be managed by the Partners in Care Foundation. The programs to be implemented include:

- **Chronic Disease Self-Management Program** – a six session series of weekly workshops presented by two trained leaders, at least one of whom has a chronic disease.
- **A Matter of Balance** – eight classes presented by two trained leaders using an exercise program to improve the strength, coordination, and balance of participants.
- **Medication Management** – involves a care manager reviewing with his or her client all of the client's prescriptions using a software program designed to flag potential drug interactions.
- **Healthy Moves** – trains care managers and motivational coaches to teach two non-equipment movements to homebound, frail, low-income seniors.

Staff Recommendation: Approve as budgeted.

Vote Only Issue 9: CDA – Improving Access to Mental Health Services for Older Persons and Adults With Disabilities

Description: The budget requests \$93,000 in Mental Health Services Act (MHSA) funds and one permanent position for the California Department of Aging (CDA) to coordinate and monitor efforts to improve access to mental health services for older persons and adults with disabilities.

Background: An estimated 20 percent of adults aged 55 years and over experience mental disorders that are not a part of normal aging, although some studies indicate that mental disorders in older adults are substantially underreported. Older adults have the highest suicide rates in the U.S. population. Although older adults represent 13 percent of the U.S. population, they receive only six percent of community mental health services.

The requested position would provide programmatic expertise on the mental health issues of the population served by the CDA. Specifically, the position would: 1) facilitate and provide technical assistance to local entities in their efforts to establish and/or expand mental health services models responsive to the needs of older adults and/or adults with disabilities; 2) serve as an internal consultant to CDA programs on promising practices that increase access to effective mental health services for older persons and adults with disabilities; and 3) support CDA's active participation in the state level policy and implementation activities pertaining to the implementation of the MHSA.

Staff Recommendation: Approve as budgeted.

4140 Office of Statewide Health Planning and Development (OSHPD)**Vote Only Issue 10: OSHPD – Consolidation of Facilities Development Division (FDD) Staff**

Description: The budget requests a one-time appropriation of \$1.4 million from the Hospital Building Fund to consolidate staff from the Facilities Development Division (FDD) within the Office of Statewide Health Planning and Development (OSHPD). One hundred forty-six (146) FDD staff will be relocated from three buildings in downtown Sacramento to one building. Any on-going costs are expected to be minimal and will be absorbed by OSHPD.

Background: The consolidation of all FDD staff in one location is expected to result in faster review of hospital construction plans. It is intended to increase overall productivity, improve communication, ease the scheduling of meetings, improve customer service, and create an overall cohesiveness among the Sacramento plan review, field region, and administrative staff within the FDD and the department.

The \$1.4 million will be used for the following one-time expenditures: purchasing new modular furniture; installing telephone system and data lines; installing network infrastructure; making improvements to the building to accommodate the new tenants; purchasing supplies; physically moving staff; covering IT expenses associated with the move; and purchasing miscellaneous equipment for conference and training rooms.

Staff Recommendation: Approve as budgeted.

5160 Department of Rehabilitation (DOR)**Vote Only Issue 11: DOR – Mental Health Services Act (MHSA) Positions**

Description: The budget proposes \$203,000 in Mental Health Services Act (MHSA) funds and two limited-term positions for the Department of Rehabilitation (DOR) to assist in the implementation of provisions of the MHSA that relate to assisting persons with severe psychiatric disabilities to obtain employment and independent living skills. The 2005-06 Budget Act provided MHSA funding and two 2-year limited-term positions to DOR; the 2007-08 proposed budget continues that funding and positions for another two years.

Background: The DOR has third party cooperative agreements with 25 county mental health agencies and four state hospitals that provide a wide array of individualized vocational services specifically targeted to the needs of mental health consumers. In 2005-06 and 2006-07, the percentage of DOR consumers statewide who had mental health disabilities increased as a result of the MHSA. In addition, the percentage of

mental health consumers served by Independent Living Centers (ILCs) has also increased with the implementation of MHSA. It is expected that as more counties' MHSA plans are approved and programs are funded, there will be further increases in referrals to the DOR/mental health cooperative programs and ILCs.

In the past two years, the MHSA staff in DOR have served as liaisons for training, technical assistance, and support for local collaborative efforts to identify opportunities for new or expanded cooperative programs and services with county mental health and education agencies. In the next two years, the requested positions will continue to support local efforts to identify opportunities for new cooperative programs and provide technical assistance for future expansions of existing cooperative programs; begin monitoring and reviewing new cooperative programs to ensure they meet state and federal requirements; and continue to act as a liaison between ILCs and the county mental health agencies.

Staff Recommendation: Approve as budgeted.

Discussion Agenda

4700 Department of Community Services and Development (CSD)

CSD Issue 1: Naturalization Services Program

Description: The budget includes \$3.0 million for the Naturalization Services Program (NSP). This program assists legal permanent residents in obtaining citizenship. The Urban Institute estimates that approximately 2.7 million Californians are eligible but have not applied for citizenship.

Background: The NSP funds local organizations that conduct outreach, intake and assessment, citizenship application assistance, citizenship testing and interview preparation. In 2006, the program is expected to assist an average of 12,000 individuals in the completion of citizenship applications. Total funding for the program in 2006-07 is \$3.0 million General Fund. Positive outcomes as a result of NSP and citizenship include improved employment opportunities for citizens, and reduced caseload for state-only programs such as the Cash Assistance Program for Immigrants (CAPI), as citizens may qualify for the federally-funded Supplemental Security Income (SSI) program.

Catholic Charities of California provides this additional information about NSP:

- Since the first \$2 million budget appropriation for NSP in 1996, the State has committed more than \$26 million to the program through the annual budget bill process. Over 90,000 citizenship-eligible residents have been served by the resulting provider network.
- This funding represents “seed money” to the many non-profit community-based organizations throughout the State as they assist citizenship-eligible Californians in the completion of their naturalization applications. These non-profits, in turn, enlist the financial and logistical support and volunteer services of local governments, businesses, community groups, labor unions, and others.

Related Programs in Department of Education: There is significant funding for adult education in the California Department of Education (CDE); current funding for the Adult Education Program is \$728.4 million in on-going state and federal funding. However, only a small portion is used specifically for citizenship preparation. Enrollment data from CDE for 2004-05, the latest year available, indicates that only 0.3 percent, or 3,300 persons, were enrolled in citizenship preparation classes funded through Adult Education. This is down from 3,683 persons in 2003-04 and 5,178 persons in 2002-03.

Nonetheless, in addition to traditional classroom activities, the CDE indicates that the following activities are authorized under this funding:

- Activities that support outreach and recruitment of legal permanent residents who are eligible for citizenship.
- Preparation and assistance activities necessary to successfully complete the naturalization application and interview process.
- Child care and transportation for participants in CPE activities.

Advocates indicate that NSP is better aligned with the communities it serves than the CDE-sponsored programs. NSP has deeper roots in the communities and immigrants tend to trust their local CBOs as opposed to an adult education center. NSP also differs from the CDE programs because it allows for more services to be provided than just civics classes. NSP allows outreach, application assistance, referrals to classes and in some cases legal assistance.

Questions:

1. Department, please describe the Naturalization Services Program and your role in administering it.
2. Department, what data does the State have regarding outcomes of the Naturalization Services Program (that is, do you have information on how many participants have naturalized)?
3. Department, what do you know about the unmet need for naturalization services?

Staff Recommendation: Approve as budgeted.

5180 Department of Social Services (DSS)**DSS Issue 1: Food Stamps Program**

Description: This is an informational item describing the Food Stamps Program and Food Stamp participation rates.

Program Background: The Food Stamps Program provides food benefits via Electronic Benefit Transfer (EBT) cards to eligible low-income families and individuals. The Department of Social Services (DSS) provides statewide oversight, and counties perform eligibility determination and employment services functions. Families eligible for CalWORKs are automatically eligible for Food Stamp benefits. Low-income working families and individuals are also eligible for Food Stamp benefits, even if they have not enrolled in the CalWORKs program.

Enrollment Summary: The DSS estimates that average monthly Food Stamp caseload in 2007-08 will be 2.1 million persons, a 2.3 percent increase over 2006-07. Approximately 68 percent of these beneficiaries are not receiving cash assistance. The proportion of “non-assistance” Food Stamp caseload in the program has grown significantly in recent years, and increased enrollment among non-assistance households has been the driving factor in overall program growth since 2000-01.

Funding Summary: Food Stamp benefits are funded entirely by federal funds. These funds are not included in the state budget, as the U.S. Department of Agriculture provides funding for food directly to beneficiaries via EBT cards. Californians are estimated to receive approximately \$2.7 billion in federal Food Stamp benefits in 2007-08. The federal government also funds 50 percent of the program’s eligibility determination and administrative costs. The remaining 50 percent is split between the State and counties at a ratio of 70 percent to 30 percent, respectively. The budget anticipates that funding for county activities will be \$706.5 million (\$305.5 million General Fund), an increase of \$24.1 million (\$9.2 million General Fund) compared to the current year, due to increasing caseload.

California Food Assistance Program (CFAP): The State also administers the CFAP, a state-only food stamp program for legal non-citizens. Total funding for benefits and eligibility costs is estimated to be \$27.7 million General Fund in 2007-08, to provide benefits to 23,600 beneficiaries.

Food Stamp Error Rate: In Federal Fiscal Years 2000, 2001, and 2002, California’s Food Stamp Error Rate was 13.99 percent, 17.37 percent, and 14.84 percent respectively. As a result, the State received a federal sanction penalty totaling \$187 million for exceeding the national tolerance levels. A settlement agreement between California and the federal government on the \$187 million was reached in January 2005 that resulted in no cash payment and \$62.5 million of the penalty held in abeyance over a five year period with potential for having \$12.5 million of that total waived each year if the State’s error rate is below 7.4 percent for each of FFY 2003 through 2007.

The State has made significant improvement in the error rate over the past four years:

- FFY 2003 – California's error rate declined to 7.96 percent. Although the penalty was not waived, California did receive a performance bonus of \$6.8 million for being the most improved state in the nation.
- FFY 2004 – California's error rate was 6.32 percent, an all time low for the State. The State avoided a sanction and had \$12.5 million in penalties waived for that year.
- FFY 2005 – California's error rate was 6.38 percent, again avoiding a sanction and having \$12.5 million waived.
- FFY 2006 – The projected rate is 6.91 percent. The final rates will be released in June 2007.

Food Stamp Participation Rate: According to the U.S. Department of Agriculture (USDA), California's Food Stamp participation rate ranks last in the country, with only 46 percent of eligible recipients participating. This low rate may result in a significant amount of lost federal funds for the state's economy, as well as reduced nutrition and increased hunger for low-income families.

California has maintained that the USDA underestimates the State's participation rate. The USDA methodology for calculating states' participation rates does not accurately take into account California's Supplementary Security Income (SSI) recipients who receive a food stamp cash-out. Approximately 1.2 million potential eligible food stamp recipients receive cash payments in the SSI/SSP program in place of food stamp benefits. According to the University of California Data Archive & Technical Assistance, if 80 percent of the SSI/SSP population were counted, which is the percentage of the SSI/SSP population eligible for Food Stamp benefits, California's Food Stamp participation rate would increase somewhere between 7 and 10.5 percent to 53 to 56 percent respectively. This would place California closer to rates of other large states and put us between 38th and 44th in the national rankings.

The State has also taken steps, since 2004, to improve the participation rate. These efforts have included enacting legislation to provide transitional Food Stamp benefits for people leaving CalWORKs and providing Food Stamp benefits to individuals with certain felony drug violations who were previously excluded, implemented outreach programs in conjunction with the California Association of Food Banks and H&R Block, and worked with other state agencies to identify eligible individuals. The DSS has also instituted some administrative simplifications around eligibility redeterminations.

Nonetheless, California's poor performance has led to further examination of additional policies that may improve barriers to eligible families accessing food stamps including the following:

- *Finger imaging* – California is one of four states that use finger imaging in the Food Stamp Program (Texas, Arizona, and New York are the other three). The State requires that all adult household members, not eligible for an exemption, be finger printed. (Exemptions are permitted for persons with medically verified

physical conditions that renders them unable to comply. Temporary exemptions also exist for households certified to have specified hardship conditions.) This makes California's application process different from most other states where, in most cases, only one adult needs to make a trip to the food stamp office. With finger imaging, all adult household members, even if working, elderly, or disabled, must go into the office to be imaged. In addition, the finger imaging requirement limits California's ability to use online applications, phone interviews, and other administrative simplifications to increase access to food stamps. Removal of the finger imaging requirement from the Food Stamp program only (finger imaging is also required in the CalWORKs program) continues to be discussed.

- *Categorical eligibility* – The USDA allows states to take steps to align certain rules in the Food Stamps Program with those of cash aid programs. Recipients of TANF (called CalWORKs in California) are deemed categorically eligible for Food Stamps. Since the need for cash aid has already been determined, the income and assets of recipients are not redetermined for Food Stamp applicants. This helps to align programs, remove duplication, and ease administration.

Advocates have proposed that Medi-Cal recipients be made eligible to receive a TANF-funded service so that they can be made categorically eligible for Food Stamps. Food Stamp-eligible families are now more likely to be participating in Medi-Cal than in cash aid programs. There is believed to be agreement between advocates and the Administration over the benefits of this policy approach, but there are concerns over the fiscal impacts.

- *Simplified reporting* – Moving to semiannual reporting and eligibility determination has the potential to simplify administration and improve Food Stamp participation. The Administration's proposal to move from quarterly reporting to semiannual reporting was discussed by the Subcommittee in the March 29, 2007 hearing and was left open until the May Revision.

Questions:

1. Department, please describe the Food Stamp Program, its funding and caseload levels.
2. Department, discuss the progress that has been made in improving the error rate and what steps have been taken to improve the error rate.
3. Department, what actions have been taken in recent years to improve the participation rate?

DSS Issue 2: Emergency Food Assistance Program (EFAP)

Description: This is an informational item describing the Emergency Food Assistance Program (EFAP).

Background: The EFAP provides about 68 million pounds of donated food annually to 49 local county food banks and over 2,300 distribution sites to serve approximately 1 million needy individuals monthly in low-income households. To be eligible for EFAP, recipients must certify that they meet the income eligibility requirements of the program (150 percent of the poverty level) and that they are a resident of the county. The EFAP also provides food to congregate feeding sites throughout the state that serves thousands of homeless individuals. The food comes from two sources:

1. *U.S. Department of Agriculture (USDA)* – The USDA provides the bulk of food distributed to the needy by the EFAP. The USDA allocates approximately \$16 million in entitlement commodities annually to California. In addition, in 2005-06, USDA provided California bonus (free) commodities valued at over \$13 million (21 million pounds). The USDA makes these purchases to remove surpluses throughout the nation in order to provide price stability in the farming marketplace.
2. *California Donate/Don't Dump (DDD) Program* – The DDD Program was enacted by a Governor's Proclamation in 1995 to salvage fresh fruit and vegetables throughout California and distribute them to the needy of this State. The California Department of Social Services (DSS) partners with California Emergency Foodlink, a non-profit organization, to collect, salvage, and distribute to the local county food banks approximately 10 million pounds of fresh fruits and vegetables annually.

The EFAP also annually provides USDA and DDD food to displaced victims of disasters such as earthquakes, floods, fires, drought, and potential acts of terrorism. Since EFAP uses “household” pack size food in its program versus “congregate feeding” pack sizes (used in soup kitchens, schools, and Red Cross mass shelter locations), EFAP is only involved in disasters where the victims have the capability to independently cook for themselves. Since neither USDA nor the State typically provides food for disasters, EFAP normally holds about 16 truckloads (640,000 pounds) of a mixed variety of USDA food in reserve as a safety net.

Recent Emergency Allocations to Food Banks: Since January 2007, DSS has allocated \$4.7 million in funds from the Disaster Response-Emergency Operations Account to local food banks and the California Emergency Foodlink in response to the recent freeze disaster. The funds have been used for the purchase and distribution to affected individuals and the purchase of food to replenish and increase the State's reserve to prepare for future emergency distributions to counties. In addition, the Federal Emergency Management Agency announced that federal disaster aid is available to provide disaster unemployment insurance and commodities for individuals affected by the freeze. The federal commodities, which began arriving in April, supplement state and local recovery efforts and diminish the future need for state funding to purchase food. To date, \$4.1 million of the \$4.6 million has been spent, of which 92 percent was used for the direct purchase of food. The remainder has been spent on administrative and operating costs, such as personnel, transportation, and storage.

Unmet Need for Food: Despite California's recent rapid and effective response to the freeze disaster, there remain an estimated five million Californians who report that they are unable to afford the food they need, including many seniors and working parents. Food banks play a critical role in meeting this need, although there is no ongoing state funding for food banks. In addition, federal emergency food programs have been shrinking. The total food provided to California by USDA declined from 97 million pounds in 2002 to 57 million pounds in 2006.

Questions:

1. Department, please describe the Emergency Food Assistance Program and your role in administering it.
2. Department, discuss the recent emergency allocations to food banks. How have those funds been used and how many people have been served?

0530 Health and Human Services Agency – Office of System Integration (OSI)**OSI Issue 1: Electronic Benefit Transfer (EBT) System**

Description: The Governor's Budget proposes \$37.9 million (\$7.6 million General Fund) for the Electronic Benefit Transfer (EBT) System. Of this total, \$37.1 million (\$7.3 million General Fund) is for ongoing maintenance and operations of the current EBT System and \$863,000 (\$278,000 General Fund) is for planning for reprocurement of a new contract for EBT services.

Background: The EBT System provides cash and food benefits to CalWORKs and Food Stamp clients via debit card technology and retailer point-of-sale terminals. Implementation of this system began in August 2002 and was completed in May 2005. The original contract with the vendor was to expire in August 2008, with the possibility of two 1-year extensions. The state recently exercised the optional years due to a negotiated price reduction for the EBT System in California. The price reduction will result in overall savings of \$6.6 million in 2006-07 and an additional \$4.7 million in 2007-08.

The Administration is proposing \$863,000 (\$278,000 General Fund) to continue the planning for reprocurement of a new contract for EBT services. The planning began in September 2005 and a contract is expected to be awarded in May 2008.

Questions:

1. OSI, please describe the justification of the need for a new EBT contract.
2. OSI, what is the status of the reprocurement planning?
3. OSI, what is the total reprocurement cost currently projected to be?

Staff Recommendation: Approve as budgeted.

5175 Department of Child Support Services (DCSS)**DCSS Issue 1: Report on Performance Improvements**

Description: This is an information item.

During the March 15, 2007 hearing, the Subcommittee requested that the Department of Child Support Services (DCSS) report back to the Subcommittee at the May 3rd hearing with information regarding child support program collections and cost effectiveness performance, and DCSS' strategies to improve the child support program's collections performance. The DCSS submitted a written report to the Subcommittee on April 30 and will discuss that report in the hearing.

Questions:

1. Department, please summarize your report and the strategies you propose to improve child support collections and cost effectiveness.

DCSS Issue 2: California Child Support Automation System (CCSAS) Functionality

Description: The Department of Child Support Services (DCSS) has submitted an April Finance Letter requesting position authority for nine permanent positions and two 1-year limited-term positions to address workload associated with implementation of the California Child Support Automation System (CCSAS). The DCSS proposes to redirect savings from existing contracts to fund the positions.

Background:

The requested positions would be used for the following activities:

- **Resolution of Participant Financial and Data Exceptions:** These exceptions occur as a result of duplicate cases open in multiple local child support agencies (LCSAs), incorrect names, dates of birth, or social security numbers that impacts the ability to merge data as needed, and processing errors of employer checks and money transfers. DCSS requests six permanent positions to develop and implement an on-going data quality program.

The LCSAs perform financial and data exceptions work for single county child support cases. The DCSS currently contracts with a vendor for the resolution of the financial and data exceptions for the cases that cross multiple counties. According to DCSS, the workload is proving to be on-going; therefore, they are proposing to move the workload from the vendor to the Department. The DCSS would extend \$372,000 of the contract to enable the vendor to provide knowledge transfer to the

State and redirect \$697,000 (\$237,000 General Fund) of the contract to fund the six positions.

- **Database Management:** The Child Support Enforcement (CSE) database, within CCSAS, needs to be expanded to retain information on cases pursuant to federal tax law. The DCSS requests one permanent position and to redirect funding of \$93,000 (\$32,000 General Fund) to support the hardware, software, and database implementation, maintenance, and operation. The request also includes one-time redirected funding of \$100,000 (\$34,000 General Fund) for the procurement of network storage housed at the Department of Technology Services (DTS).
- **User Administration:** The DCSS is responsible for performing CCSAS user administration functions including the establishment and maintenance of user security profiles and access permissions, and for gathering, verifying, and processing security and conflict of interest information on each DCSS CCSAS user. The current infrastructure support of CCSAS user administration inadvertently omitted this workload when the CCSAS project was assigning responsibilities between the FTB and DCSS.
- **Administration of the Enterprise Call Center:** The DCSS is merging the SDU Non IV-D Customer Services Support Center and the Full Collections Program Call Center into one statewide call center beginning in May 2007. The DCSS requests two positions and \$186,000 (\$63,000 General Fund) to ensure all systems are running throughout the State by providing system administration and technical support. The DCSS overlooked system administration workload when resources were originally requested for 2006-07.

Questions:

1. Department, please describe the budget request.

Staff Recommendation: Hold open until the May Revision. Subcommittee staff requested information on the contract savings that is proposed to be used to fund these positions. That information was submitted too late for consideration for this hearing. In addition, holding the item open until the May Revision will enable the Subcommittee to consider all additional budget requests from DCSS, including any that may be submitted at the May Revision.

DCSS Issue 3: Recovery of Non-Sufficient Funds (NSF)

Description: The Department of Child Support Services (DCSS) has submitted an April Finance Letter requesting position authority for seven permanent positions and three 1-year limited-term positions for the research, analysis, and processing of Non-Sufficient Funds (NSF) returned items. The DCSS proposes to redirect \$872,000 (\$296,000 General Fund) in savings from existing contracts to fund the positions and administrative funds currently provided to Local Child Support Agencies (LCSAs).

Background: Historically, a certain percentage of child support payments are drawn on accounts with non-sufficient funds. Prior to the implementation of the State Distribution Unit (SDU), each LCSA was responsible for collecting their respective NSF items. With the implementation of CCSAS, child support payments are received and processed at the SDU and distributed to families within two days. This creates a loss to the State if a payment is returned by a bank. Annual projected NSF are estimated at about 9,000 cases totaling \$5.7 million, with a projected recovery of \$3.3 million based on the current recovery percentage of 57.6 percent. Processing efficiencies, both manually and through the system, are being made, which may increase this collection percentage.

The DCSS is currently redirecting 10 positions from the Full Collection Program to cover this workload. The requested new positions will allow the existing 10 positions to resume their collections activities while conducting the manual activities necessary to recover NSF items and maintain the current level of recovered funds. There is no expected increase in the percentage of NSF being recovered as a result of this request.

Questions:

1. Department, please describe the budget request.

Staff Recommendation: **Hold open until the May Revision.** Subcommittee staff requested information on the contract savings that is proposed to be used to fund these positions. That information was submitted too late for consideration for this hearing. In addition, holding the item open until the May Revision will enable the Subcommittee to consider all additional budget requests from DCSS, including any that may be submitted at the May Revision.

DCSS Issue 4: State Distribution Unit (SDU) Bank Exceptions

Description: The Department of Child Support Services (DCSS) has submitted an April Finance Letter requesting position authority for two permanent positions and one 1-year limited-term position to perform increased accounting activities for analyzing and processing bank exceptions. The DCSS proposes to redirect \$288,000 (\$98,000 General Fund) in savings from existing contracts to fund the positions.

Background: Exceptions to normal bank processing occur due to a variety of situations. Banking exceptions include checks that are negotiated for an amount other than the legal amount on the check, duplicate items, stale-dated items, payment stopped items, closed account items, and others. Each banking exception requires individual analysis and processing by accounting staff in order to ensure that the proper corrective action is taken. Prior to the State Distribution Unit (SDU), banking exceptions were resolved by each Local Child Support Agency. With the implementation of CCSAS, the SDU has assumed responsibility for resolving banking exceptions.

The DCSS has temporarily redirected other accounting staff to work on banking exceptions. However, the workload has been increasing and cannot continue to be absorbed without sacrificing other core accounting activities.

Questions:

1. Department, please describe the budget request.

Staff Recommendation: Hold open until the May Revision. Subcommittee staff requested information on the contract savings that is proposed to be used to fund these positions. That information was submitted too late for consideration for this hearing. In addition, holding the item open until the May Revision will enable the Subcommittee to consider all additional budget requests from DCSS, including any that may be submitted at the May Revision.

DCSS Issue 5: Information Security Office

Description: The Department of Child Support Services (DCSS) has submitted an April Finance Letter requesting position authority for six permanent positions to expand the Information Security Program. The DCSS proposes to redirect \$677,000 (\$230,000 General Fund) in savings from existing contracts to fund the positions.

Background: There are ongoing activities specifically identified in the Federal Certification Questionnaire Review that are in need of further development in DCSS in order to satisfy federal certification requirements. These include risk management, disaster recovery, system monitoring, vulnerability assessments, and oversight of system security. According to DCSS, preliminary feedback from the Federal Certification team indicates that they have approved the organizational structure in place to manage statewide security and privacy; however, the team expressed concern regarding the adequacy of existing and proposed DCSS staffing to support the organizational structure and security activities required for certification. The DCSS indicates that the requested positions are those that are urgently needed for certification.

The DCSS currently has seven positions assigned to the Information Security Office. The six requested positions would develop and implement a Statewide Risk Management Program, replace two contract positions currently managing the DCSS' disaster recovery efforts, perform ongoing monitoring of the access and use of CCSAS systems and support systems, and perform security review, assessment, and verification activities related to CCSAS.

Questions:

1. Department, please describe the request.

Staff Recommendation: Hold open until the May Revision. Subcommittee staff requested information on the contract savings that is proposed to be used to fund these positions. That information was submitted too late for consideration for this hearing. In addition, holding the item open until the May Revision will enable the Subcommittee to consider all additional budget requests from DCSS, including any that may be submitted at the May Revision.

DCSS Issue 6: Centralized Financial Worker

Description: The Department of Child Support Services (DCSS) has submitted an April Finance Letter requesting position authority for three 2-year limited-term positions to manage, maintain, and resolve suspended collections to financial data. The DCSS proposes to redirect \$250,000 (\$85,000 General Fund) in savings from existing contracts to fund the positions.

Background: Suspended collections are those payments that the automated system is unable to identify a participant or a case. The State Distribution Unit (SDU) processes more than a million payments each month. Most can be identified as a particular case or individual and processed and distributed to the appropriate party. However, there are some for which the system is unable to make this decision and manual intervention is needed.

In the 2006-07 Budget Act, the DCSS was provided 10 positions to work on suspended collections. The actual suspended collections workload is larger than originally anticipated, however. Suspended collections are expected to continue to grow although it is not known by how much. Existing Full Collections program staff are currently being redirected to ensure that all suspended collections are processed in a timely manner to eliminate any negative impact on custodial parents, but that redirection has resulted in an estimated loss of collections of approximately \$4.3 million (\$555,000 General Fund) in the current year.

Questions:

1. Department, please describe the budget request.

Staff Recommendation: Hold open until the May Revision. Subcommittee staff requested information on the contract savings that is proposed to be used to fund these positions. That information was submitted too late for consideration for this hearing. In addition, holding the item open until the May Revision will enable the Subcommittee to consider all additional budget requests from DCSS, including any that may be submitted at the May Revision.

4170 California Department of Aging (CDA)**CDA Issue 1: Caseload Estimates**

Description: On March 8, 2007, the Subcommittee discussed the caseload and fiscal data that the California Department of Aging (CDA) is required to report to the Legislature by January 10 of each year. The Subcommittee directed the Legislative Analyst's Office (LAO) to work with CDA to determine what data from CDA would be helpful in the Legislature's budget decision-making process.

Background: The 2005 Budget Act required the CDA to submit a caseload and funding report for all CDA programs to the Legislature by January 10 of each year. Although the CDA has complied with the requirement, the data is not proving to be useful in policy and budget development. It is important that the Legislature have relevant data in order to make informed decisions about the best investments to make in the long-term care system.

LAO Review and Recommendation: In reviewing the current state report submitted by CDA, the LAO found that a majority of the data provided in the state report is preliminary because of the January 10 due date. Additionally, the CDA does not forecast caseload growth, so the reported budget year caseload is the same as the most recent estimate of the current year caseload. The LAO notes that CDA conducts a manual data collection for this report, so preparing the report represents substantial workload.

In reviewing the federal reports required to be submitted by the CDA, the LAO found that the report only includes data on those programs that receive federal funds. However, the report includes some demographic data that is not provided on the state report. The federal report is due by January 31 and includes actual data for the prior fiscal year. The LAO notes that this report is also produced by manually collecting the data.

The LAO notes that CDA produces program fact sheets for all state and federal programs that they administer. These fact sheets provide the same level of data that is provided in the federal report. They also provide expenditure and caseload data, but do not provide caseload estimates for the current or budget year. These fact sheets are typically completed by March 15 each year; however, CDA will not meet the March 15 time frame this year due to the manual workload associated with producing both the state and federal reports.

The CDA is currently in the process of implementing a web-based database, the California Aging Reporting System (CARS), which CDA informed the LAO would eliminate much of the workload associated with the state and federal reports because the manual data collection would be eliminated. CARS is scheduled to be completed by March of 2009.

The LAO recommends that the requirement to produce the state report be suspended until January 2010 and that in the interim, CDA data be provided by the program fact sheets. At that point in time, CDA's automated data collection system will be fully operational and the Legislature can consider whether to permanently eliminate the state data report. The LAO also recommends that the program fact sheets be provided by March 1 rather than March 15. This would give the Legislature time to consider the data as part of the budget subcommittee process and still provide a realistic deadline for CDA to compile the fact sheets since the state report would be suspended.

Questions:

1. LAO, please describe your review and recommendations.
2. Department, describe the expected benefits of the California Aging Reporting System.

Staff Recommendation: Adopt the LAO recommendation to enact trailer bill language suspending, for two years, the requirement for the state report and requiring the program fact sheets to be posted and provided to the Legislature by March 1 of each year.

4200 Department of Alcohol and Drug Programs (DADP)**DADP Issue 1: Licensing Reform Phase II**

Description: On March 8, 2007, the Subcommittee discussed the budget request of \$1.2 million General Fund and 12.5 positions (4.5 limited-term) in DADP to conduct biennial compliance visits of licensed and/or certified programs, and federally required monitoring reviews and complaint investigations of Drug Medi-Cal providers. The Subcommittee directed the Legislative Analyst's Office (LAO) to review the time and motion study that DADP was using to justify the budget request and determine whether the study supports the request. The Subcommittee also discussed proposed statutory language to permit the collection of fees from all providers to fund these activities and to establish a new fund for the fee revenues.

Background: The budget proposal has two distinct components to address existing workload: 1) six staff for facility licensing and certification; and 2) 6.5 staff for drug Medi-Cal (DMC) Reviews and Investigations. The DADP conducted a time study of all licensing- and certification-related functions to determine the number of field staff needed to perform adequate facility reviews. This position request is based upon that study.

LAO Review: Pursuant to the Subcommittee's request, the LAO reviewed the time study conducted by DADP to determine whether the study supports the request. Based upon that review, the LAO concludes that the time and motion study is generally reasonable and that the workload would likely exceed the requested resources.

Proposed Trailer Bill Language: The proposed budget includes trailer bill language that would permit the collection of fees from all providers to fund DADP's licensing and certification activities and to establish a new fund for the fee revenues. Under current law, only for-profit providers are charged these fees. The fees would initially be set at \$2,150 biennially (which is what current law requires for-profit providers be charged) and DADP would convene a stakeholder group to determine a permanent fee schedule. According to the LAO, the first meeting with stakeholders to discuss a permanent fee schedule will be on May 2, 2007.

Questions:

1. LAO, please describe your analysis of the DADP time study.
2. Department, describe the May 2nd stakeholder meeting on the fee schedule. What was the outcome and what are the next steps?

Staff Recommendations: Approve the request for positions and funding as budgeted. Approve modified trailer bill language that would require legislative approval of any proposed fee changes.